

Message Text

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TO AMEMBASSY ROME IMMEDIATE

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E.O. 11652: GDS

TAGS:ENRG/IT/US

SUBJECT: US-ITALIAN ENERGY BILATERAL

FOR AMBASSADOR VOLPE FROM ASSISTANT SECRETARY ENDERS.

, YOU WILL HAVE SEEN THE RECENT CABLE (STATE 218712) REPORTING ON THE SEPTEMBER 5 MEETING OF THE US-ITALIAN ENERGY WORKING GROUP. AT THE CLOSE OF THAT MEETING I MET PRIVATELY WITH MIGLIUOLO TO REVIEW WHERE WE NOW STAND AND WHERE WE SHOULD BE GOING.

2. MIGLIUOLO AGAIN STRESSED THE POLITICAL IMPORTANCE WHICH THE ITALIAN GOVERNMENT ATTACHES TO THE ENERGY WORKING GROUP. HE NOTED THAT THIS IS THE ONLY BILATERAL NEGOTIATION NOW UNDER WAY OF WHICH THE ITALIAN PUBLIC IS AWARE. I ASSURED HIM AGAIN THAT WE VIEW THIS BILATERAL ENERGY EFFORT IN A BROADER CONTEXT OF ISSUES THAN JUST THOSE OF ITALY'S PARTICIPATION IN THE IEA.

3. WITH REGARD TO THE 3 MAJOR AREAS ON WHICH THE TALKS

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HAVE CONCENTRATED TO DATE, WE REACHED THE FOLLOWING CON-

CLUSIONS:

A) ENRICHED URANIUM AND TRANSFER OF TECHNOLOGY --
WE WILL PROCEED NOW TO CARRY OUT THE EXCHANGES OF TECH-
NICIANS, ETC., WE HAVE AGREED TO IN PRINCIPLE IN THE EWG.

THE ITALIANS WILL CONTINUE TO PUSH FOR MORE IN THIS AREA,
BUT I THINK MIGLIUOLO NOW REALIZES THAT OUR FLEXIBILITY
WILL BE VERY LIMITED UNTIL THE UEA-PRIVATIZATION ISSUE
IS RESOLVED BY THE CONGRESS. IN THE MEANTIME, WE CANNOT
GO MUCH BEYOND PUTTING THE ITALIANS IN CONTACT WITH
POTENTIAL US PRIVATE ENRICHERS, WHICH WE HAVE ALREADY
DONE. THE ITALIANS WOULD LIKE TO BEGIN NOW NEGOTIATING
THE GOVERNMENT-TO-GOVERNMENT UMBRELLA AGREEMENT UNDER
WHICH PRIVATE SECTOR CLASSIFIED TECHNOLOGY TRANSFERS
WOULD TAKE PLACE. BUT ERDA IS RELUCTANT TO RAISE THE
POLITICALLY SENSITIVE TECHNOLOGY SHARING ISSUE WHILE THE
UEA PROPOSAL IS STILL PENDING, AND I DOUBT THAT I CAN
MOVE ERDA ON THIS.

B) NATURAL URANIUM -- MIGLIUOLO WAS PLEASED WITH THE
ERDA "BEST EFFORTS" OFFER TO HELP THE ITALIANS FIND
NATURAL URANIUM IN CASE OF SHORTAGE. BUT THEY WILL
CONTINUE TO PRESS FOR SOME TIME ?OR FORMAL COMMITMENT ON
A GOVERNMENT-TO-GOVERNMENT BASIS. I STRESSED TO MIGLIULO
THAT THE ERDA "BEST EFFORTS" OFFER REPRESENTS A SPECIAL
UNDERTAKING ON OUR PART WHICH WE HAVE NOT MADE TO ANYONE
ELSE AND THAT WE HAVE PUSHED ERDA AS FAR AS THEY CAN
LEGALLY GO. I AGREED TO EXPLORE ALL POSSIBILITIES FOR
GOING BEYOND THIS, INCLUDING POSSIBLY SOME SORT OF CON-
FIDENTIAL UNDERTAKING ON A GOVERNMENT-TO-GOVERNMENT BASIS,
BUT I AM VERY DUBIOUS THAT WE WILL BE ABLE TO PRODUCE
ANYTHING.

C) FINANCING -- I HAVE TALKED AGAIN WITH BILL CASEY
CONCERNING EX-IM'S POSITION ON ITALY. HE IS NOW WILLING
TO GO BEYOND THE EARLIER EX-IM COMMITMENT TO CONSIDER
FINANCING FOR EACH PLANT ON A CASE-BY-CASE BASIS. CASEY
HAS AGREED TO SIT DOWN WITH THE ITALIANS TO OFFER ADVICE
ON THE DESIGN OF THEIR OVERALL FINANCING PACKAGE. AS A
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NEXT STEP, EX-IM WOULD MEET TOGETHER WITH THE ITALIANS
AND THE MAJOR BANKS CHOSEN BY ITALY TO WORK OUT SOME
STRUCTURED FINANCING APPROACH FOR THE OVERALL NUCLEAR
PROGRAM. I CONVEYED THIS TO MIGLIUOLO IN BROAD TERMS.
HE RECOGNIZED THAT SUCH AN UNDERTAKING BY EX-IM WOULD
REPRESENT A SUBSTANTIAL "SPECIAL" CONSIDERATION FOR ITALY.
WE AGREED THAT AS SOON AS THE ITALIANS HAVE THEIR FINAN-
CIAL PROPOSAL READY, THEY WILL SEND WORKING LEVEL EXPERTS

HERE FOR A PRELIMINARY MEETING WITH EX-IM. THEN MIGLIUOLO
TOGETHER WITH OTHER SENIOR OFFICIALS, WILL COME TO
WASHINGTON TO MEET PERSONALLY WITH CASEY.

4. ON THE QUESTION OF TIMING, MIGLIUOLO PROPOSED THAT
WE SHOULD AIM TO HAVE AN OVERALL PACKAGE READY FOR
PUBLIC PRESENTATION SOME TIME IN FEBRUARY OR MARCH.
THE FINAL DECISION ON WHEN IT MIGHT BE RELEASED WOULD
DEPEND UPON THE INTERNAL POLITICAL SITUATION IN ITALY.
MIGLIUOLO TENTATIVELY THOUGHT THE GOVERNMENT MIGHT DECIDE
TO ANNOUNCE THE CONCLUSION OF THIS BILATERAL PACKAGE JUST
BEFORE THE GOVERNMENTAL CRISIS WHICH HE ANTICIPATES SOME
TIME NEXT SPRING. WE PLAN ANOTHER EWG MEETING SOME TIME
WITHIN THE NEXT 4 TO 6 WEEKS. INGERSOLL

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